

What's New

DEDUCTION FOR TAXES PAID TO FOREIGN COUNTRIES—Effective for taxable years beginning after December 31, 2002, and ending before July 1, 2004, no deduction for taxes paid to foreign countries is allowed.

STANDARD DEDUCTION—For 2003, the standard deduction is increased to \$1,830.

RETIREMENT INCOME—For 2003, the retirement income exclusion is increased to \$39,400.

INTERNAL REVENUE CODE—Kentucky's income tax law is based on the Internal Revenue Code (IRC) in effect December 31, 2001, exclusive of any amendments made subsequent to that date, other than amendments that extend provisions in effect on December 31, 2001, that would otherwise expire. Changes to federal income tax law made after the IRC reference date in KRS 141.010(3) do not apply unless specifically adopted by the Kentucky General Assembly.

The following Acts and related provisions **DO NOT** apply to Kentucky returns:

- **Victims of Terrorism Tax Relief Act of 2001** signed on January 23, 2002,
- **Job Creation and Worker Assistance Act of 2002 (JCWAA)** signed on March 9, 2002,
- **Trade Act of 2002** signed on August 6, 2002.
 - Reduce health insurance premiums by the amount of Health Coverage Tax Credit claimed on federal Form 8885, Health Coverage Tax Credit and any advance payments from Form 1099-H, box 1, before deducting on Schedule M.
- **Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA)** signed on May 28, 2003.
 - Section 179 expense allowance is limited to \$25,000 and the phase-out threshold is \$200,000 for Kentucky income tax purposes.
 - Depreciate off-the-shelf computer software for Kentucky purposes.
 - The 50 percent special depreciation is not allowable for Kentucky income tax purposes and the luxury auto depreciation cap remains at \$3,060.

Filing Tips

- ✓ **File** early!
- ✓ **File** electronically and use direct deposit.
- ✓ **Avoid** delays by attaching all necessary forms and W-2s.
- ✓ **Exclude** up to \$39,400 of any IRA, pension or retirement plan distribution, even if you are not retired.
- ✓ **Pay** use tax due on out-of-state purchases and avoid penalties and interest.

